

DESCRIPTION OF THE PS-PS MODEL TRADE

9/18/00 DRAFT: For Demonstration Purposes Only

(“Parma Pounds” are used unless specified otherwise, all numbers and dates used in the example are hypothetical)

Boise and Middleton are both required to meet phosphorous effluent limits from April 15 through October 15 each year.

1. *Jan 1:* The City of Middleton determines that it needs 6.67 pounds per day of phosphorus to meet its effluent limit. Middleton asks for proposals (RFP) for delivering 5.0 **Parma pounds** (6.67 lb/day X .75, Middleton’s **location ratio**) of P/irrigation season for the next 5 years, to begin April 15 of the same year. The irrigation season is defined as April 15 - October 15.
2. *Feb. 1:* City of Boise responds to Middleton’s request, and offers to produce 8.9 **local pounds** from the Lander Street treatment plant, which equals 5.0 Parma pounds (8.9 lb/day x 0.56, Lander Street’s location ratio), using excess treatment capacity they have in their system due to significant investments in technology and capacity for future growth.
3. *Feb. 10-20:* Middleton likes the offered terms and they negotiate an agreement [Memorandum of Understanding] with Boise, specifying the exact delivery date and payment terms for the reduction credits.
4. *April 1:* Boise and Middleton complete a **Trade Notification form** which documents the transfer of reduction credits from Boise’s account to Middleton’s account, and submits it to the official trade registry.

When recorded, the trade registry reflects a decrease of credits in terms of Parma pounds in Boise’s account, beginning in April, and a corresponding increase of credits in Middleton’s account, beginning in April, based on the Trade Notification form.

Middleton and Boise receive written confirmation from the Trade Registry of the successful recording of the transaction.

5. *April, and for each month thereafter:* Boise and Middleton conduct routine monitoring as required under the terms of their permits.
6. *On or before May 15 (and for every month thereafter, through December of each year, for the duration of the program):* As the seller, Boise reports on line 3A of its **Discharge**

Monitoring Report (DMR)¹ for July that it sold 5.0 credits in a recorded trade. It then calculates its adjusted discharge by dividing the credits reported sold on line 3A by its location ratio of .56 and adding the result to its actual discharge reported on line 1A, to achieve its adjusted discharge number, which can then be compared with its unadjusted base permit limit to determine its compliance status. If it is below the limit, it is in compliance, but if it is above the limit, then Boise is subject to enforcement action according to the NPDES regulations. Boise submits a copy of the Association trade summary report with its DMR for verification of the trades.

As the buyer, Middleton reports on line 3A of its **Discharge Monitoring Report (DMR)** for July that it purchased 5.0 credits in a recorded trade. It then calculates its adjusted discharge by dividing the credits reported purchased on line 2A by its location ratio of .75 and subtracting the result from its actual discharge reported on line 1A. Its adjusted discharge can then be compared with its base permit limit to determine its compliance status. If it is below the limit, it is in compliance, but if it is above limit, then Middleton is subject to enforcement action according to the NPDES regulations. Middleton submits a copy of the Association trade summary report with its DMR for verification of the trades.

¹ This example assumes the DMR is submitted monthly because it assumes the TMDL's limit will require a monthly compliance and reporting period, but the TMDL's limit could be written to require a different compliance and reporting period.